

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7014

BILL NUMBER: HB 1342

NOTE PREPARED: Jan 22, 2004

BILL AMENDED:

SUBJECT: Gasoline Tax.

FIRST AUTHOR: Rep. Liggett

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
 X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill:

- (1) replaces the per gallon tax on the use of gasoline with a \$0.0129 cent per mile tax for 2005 and a \$0.0147 cent per mile tax for 2006;
- (2) provides for the annual conversion of the per mile rate to a per gallon rate based on the annual motor vehicle miles of travel for Indiana and the annual total certified taxable gallons of motor fuel;
- (3) provides for an annual adjustment to the per gallon conversion rate for inflation;
- (4) provides that the per gallon conversion rate may not exceed \$0.22 in 2005 and \$0.25 in 2006;
- (5) provides that the per gallon conversion rate may not be reduced below the conversion rate of the previous year;
- (6) provides for distributions to match: (A) 2004 distributions from the Motor Vehicle Highway Account (MVHA) and the Local Road and Street Account (LR&S) and (B) County Wheel Tax and County Motor Vehicle Excise Surtax collections;
- (7) eliminates the LR&S;
- (8) requires at least 25% of the distributions from the MVHA to be used for purposes of the LR&S;
- (9) imposes a supplemental gasoline tax if the federal gasoline tax is reduced below the per gallon rate imposed on January 1, 2004;
- (10) requires the Bureau of Motor Vehicles (BMV) to increase certain fees;
- (11) requires that half of the State Police appropriations currently paid from the MVHA must be paid from the BMV fee increases;
- (12) requires BMV personal services and other operating expenses to be paid from the fee increases rather than from the MVHA;
- (13) establishes the State Police and Bureau of Motor Vehicles Operating Fund; and
- (14) repeals the laws governing the LR&S.

Effective Date: July 1, 2004; January 1, 2005.

Explanation of State Expenditures: For the Department of State Revenue (DOR), there will be additional expenditures related to computer and programming changes for the newly imposed taxing mechanism, as well

as additional staff time and increased publication expenditures. These additional expenditures are not known, but could be considerable, particularly in the initial phases of the new taxing mechanism. The funds affected are the state General Fund and the Motor Carrier Regulation Fund.

For the BMV, there will be computer and programming expenditures to handle the newly imposed fee schedule. Also, there will additional printing expenditures for publishing the new fees. These additional expenditures can be handled within the current BMV budget. The fund affected is the MVHA, which supports the BMV.

Explanation of State Revenues: *Summary:* This bill changes the method by which the Gasoline Tax is determined. The new mechanism provides for a tax rate based on cents per mile with an annual conversion to a per gallon rate based on the annual motor vehicle miles driven in Indiana and the annual taxable gallons of fuel. By the specifications in the bill, this results in increased revenues from the Gas Tax.

The bill also requires the BMV to increase fees on various transactions sufficient to cover the cost of funding one half of the State Police expenditures and to support their own expenditures, all formerly paid from the MVHA. This will result in additional MVHA dollars available for distribution to INDOT and local units.

Revenues that are currently distributed to local units through the Special Distribution Account, the Local Road and Street Account, and the “penny” distribution will be redirected to and distributed from the Motor Vehicle Highway Account. The bill provides that local units will receive no less than their 2004 distribution. Local units will also receive an additional matching distribution if the unit imposes a County Wheel Tax and County Motor Vehicle Excise Surtax. The additional matching distribution is equal to the county’s Wheel Tax and Surtax collections. The remaining revenues are distributed to local units based on population, vehicle registrations, and road mileage.

The estimated additional revenue that would be generated and distributed by the new taxing mechanism and the distribution provisions of the bill is shown in the table below.

Additional Revenue Distributions (Million \$’s)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
INDOT	92.6	154.6	201.3	231.1	253.1	277.7
Counties, Cities, and Towns	86.0	147.7	194.1	223.7	245.4	269.7
Total	178.6	302.4	395.4	454.8	498.4	547.4

Background Information -

BMV Fee Provisions: The bill establishes the State Police and Bureau of Motor Vehicles Operating Fund. The BMV is to increase fees on various transactions sufficient to cover the cost of funding one half of the State Police expenditures and to support their own expenditures. The revenue resulting from the fee increase is to be deposited in the fund. Money in the fund does not revert at the end of a fiscal year. The fund is to be administered by the BMV.

In FY 2003, the net State Police expenditures amounted to approximately \$55.3 M, while BMV expenditures totaled approximately \$48.4 M, for a grand total of about \$104 M. [The BMV expenditures were higher in FY 2003 over FY 2002 by approximately \$8 M because 2003 was a new license plate year requiring additional expenditures.] Based on the approximate 7 M transactions for CY 2003, fees would need to be increased by approximately \$16 to cover the anticipated \$111.1 M in expenditures for the State Police and the BMV in FY 2005. The expenditures for the State Police and the BMV that were previously paid from the

MVHA will now be paid from the increase in BMV fees.

Gasoline Tax Provisions: This bill changes the method by which the Gasoline Tax is determined. The new mechanism provides for a tax rate based on cents per mile with an annual conversion to a per gallon rate that is based on the annual motor vehicle miles driven in Indiana and the annual taxable gallons of fuel. The calculated tax is subject to a maximum rate of \$0.22 in CY 2005 and \$0.25 in CY 2006. No maximum is provided in years thereafter. Below is a table which shows the basic calculations for arriving at the new Gas Tax rates.

Calculation of Gasoline Tax Rate per Gallon

	CY 2005	CY 2006	CY 2007	CY 2008	CY 2009	CY 2010
VMT	72,523 M					
Gallons	4,221 M					
AMPG	17.18	17.33	17.48	17.62	17.77	17.93
Cents/mile	1.29	1.47	1.47	1.47	1.47	1.47
Cents/mile*AMPG (=cts/gal)	22.2	25.5	25.7	25.9	26.1	26.4
CPI, change since '01	4.3%	6.9%	5.1%	7.7%	10.4%	13.1%
Cents/gallon, CPI adjusted	23.2	27.3	27.0	27.9	28.8	29.9
Tax Rate, after ceiling	22.0	25.0	27.0	27.9	28.8	29.9

Sources and Assumptions -

VMT: Vehicle miles traveled, Federal Highway Administration, 2002.

Gallons: Implied gallons of gasoline and special fuel, from Indiana tax collections, Indiana DOR

AMPG: Ave. miles per gallon (VMT divided by Gallons). Assumed to rise 0.85%/year, the ave. annual increase 1995-2000

Cents/mile: Established by proposal.

CPI: Consumer price index, Bureau of Labor Statistics. Inflation rate assumed to be 2.5%/year after 2004, Congressional Budget Office projections. Percentages are previous year relative to 2002.

Cents/mile, CPI adjusted: One plus CPI change since '01, times Cents/mile x AMPG

Tax Rate, after ceiling: proposal establishes 22 cent ceiling in 2005, 25 cent ceiling in 2006.

The bill establishes new “penny” distributions of \$0.03 in CY 2005 and \$0.045 in CY 2006 for the State Highway Fund (SHF) and local units through the MVHA. This distribution is currently based on \$0.01. The rate caps of \$0.22 for CY 2005 and \$0.25 for CY 2006 provide that all new revenue generated by the new Gas Tax formula will be distributed through the “penny” distributions for those two years. Beginning in CY 2007 when there is no rate cap, additional revenue from the formula will flow through the Highway Road and Street Fund and the MVHA. Below is a table which shows the total revenue from the “penny” distribution.

Total Distribution of Penny Revenue (M \$'s)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
INDOT SHF	66.6	127.6	172.5	200.7	221.0	244.0
Locals MVHA	66.6	127.6	172.5	200.7	221.0	244.0
SHF: State Highway Fund MVHA: Motor Vehicle Highway Account						

The table below shows the total Highway Road and Street Fund distribution after the first \$25 M is distributed to the Special Distribution Account.

Total Highway Road and Street After First \$25 M.

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Total	\$174.4 M	\$176.7 M	\$179.1 M	\$181.4 M	\$183.8 M	\$186.3 M
INDOT 55%	\$95.93 M	\$97.20 M	\$98.49 M	\$99.79 M	\$101.11 M	\$102.44 M
MVHA 45%	\$78.49 M	\$79.53 M	\$80.58 M	\$81.64 M	\$82.72 M	\$83.82 M

Revenues that are currently distributed to local units through the Special Distribution Account, the Local Road and Street Account, and the “penny” distribution will be redirected to and distributed from the Motor Vehicle Highway Account. The table below shows the total INDOT revenues and the total revenues of local units after 45% of the Highway Road and Street Fund is added to the MVHA. In addition, the table shows the estimated amounts for the “hold harmless” provision for the local units.

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
INDOT	\$540.0 M	\$612.9 M	\$666.9 M	\$704.4 M	\$735.2 M	\$768.9 M
HRSF, local added to MVH	\$78.5 M	\$79.5 M	\$80.6 M	\$81.6 M	\$82.7 M	\$83.8 M
Locals, Total MVH	\$479.9 M	\$551.3 M	\$604.2 M	\$640.6 M	\$670.1 M	\$702.4 M
Local Hold Harmless Total (CY 2003)	\$182.0 M	\$364.0 M	\$364.0 M	\$364.0 M	\$364.0 M	\$364.0 M
Remainder for match, traditional MVH dist.	\$297.9 M	\$187.3 M	\$240.2M	\$276.6 M	\$306.1 M	\$338.4 M
Total Surtax/Wheel Tax, current counties	\$15.7 M	\$32.1 M	\$32.8 M	\$33.5 M	\$34.3 M	\$35.0 M
Total Surtax/Wheel Tax, all 92 counties	\$53.0 M	\$108.4 M	\$111.0 M	\$113.6 M	\$116.3 M	\$119.1 M
Match per dollar, current counties	\$1	\$1	\$1	\$1	\$1	\$1
Match per dollar, all counties	\$1	\$1	\$1	\$1	\$1	\$1

The supporting documentation for this analysis is available from the Office of Fiscal and Management Analysis.

Explanation of Local Expenditures:

Explanation of Local Revenues: See *Explanation of State Revenues*.

State Agencies Affected: Department of Transportation, Bureau of Motor Vehicles.

Local Agencies Affected: Those units which receive MVHA distributions and Excise Surtax and Wheel tax distributions.

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